

MAINE STATE LEGISLATURE

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**STATE OF MAINE
126TH LEGISLATURE
FIRST REGULAR SESSION**

**Second Report
of the
MAINE VACCINE BOARD**

for the
State Fiscal Year ended June 30, 2012
and the
Full Calendar year of 2012

March 20, 2013

Members:
Peter Gore, Chair
Judith Chamberlain
Deb Deatrick
Larry Hart
Larry Losey
Katherine Pelletreau
(ex officio) **Barbara Raths**
Jane Sheehan
Forrest West
(ex officio) **Lori Wolanksi**



March 28, 2013

Senator Margaret Craven
Committee on Health and Human Services
c/o Legislative Information
100 State House Station
Augusta, ME 04333

Representative Richard Farnsworth
Committee on Health and Human Services
c/o Legislative Information
100 State House Station
Augusta, ME 04333

Re: Maine Vaccine Board 2012 Annual Report

Dear Chairpersons Craven and Farnsworth:

I am forwarding with this letter the Annual Report of the Maine Vaccine Board ("MVB") as contemplated by statute.

I apologize for our delay in filing this report. Last year was the start-up year for MVB childhood vaccine funding for the state. We desired to make our report more informative for the committee by including statistics not just through the *fiscal* year ending June 30, 2012, but also for all of *calendar* year 2012. Since vaccine purchases with MVB funds commenced in January 2012, this affords a more representative look at a full operating year. Also, we anticipated that the committee would be interested in documentation concerning actual results concerning the cost savings which had been contemplated at the time the legislative proposal was presented to you. Accordingly, several Board members worked with our servicing agent, KidsVax.org™, to go beyond national statistical data to a savings metric based upon actual vaccine purchases for Maine children. The resultant analysis confirms that there have, indeed, been substantial savings for health benefit payers in the State of Maine from MVB's work. MVB has expanded its quarterly internal reporting to the Board to include regular monitoring of cost savings using this improved methodology. Thus we will be able in future years to timely report this information to you.

If we can provide any further information helpful to your committee or you would like more detail on any part of MVB's operations, please do not hesitate to call. If I am unable to respond directly, I will be sure to forward your request to KidsVax.org™ or Maine CDC for any necessary research and follow up.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Peter Gore', is written over the typed name and title.

Peter Gore
Chairman, Maine Vaccine Board

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EXECUTIVE SUMMARY

This is the second annual report of the Maine Vaccine Board (MVB). MVB assessment collections commenced on November 15, 2011. Assessment compliance by payers has been strong. The close of the 2011/12 fiscal year saw the MVB beginning to advance from startup mode to more mature operations. The MVB has now completed its first full year of operation.

At the core of the mission of MVB is the desire to reduce the occurrences of vaccine preventable disease and increase the use of vaccines for Maine’s children. This year has proven that goal a success as Maine’s childhood immunization levels continue to rise.

State vaccine purchases with MVB funds and distribution to providers began in January 2012. In order to provide a more representative overview, this report contains data from both the fiscal year July 1, 2011 – June 30, 2012 and the complete calendar year 2012. Key statistics are listed below:

| | Fiscal Year 7/1/2011- 6/30/2012 | Calendar Year 2012 |
|--------------------------------------|---------------------------------------|-----------------------|
| Total Number of Payers: | 88 | 81 |
| Total Assessments Raised: | \$ 10,365,886.32 | \$ 10,872,578.40 |
| Average Monthly Child Covered Lives: | 123,757 | 131,517 |
| Number of board meetings: | 10 | 8 |

All Board meetings are accessible to the public and afford opportunity for public comment. Both oral and written comments are welcome. Detailed information about the MVB and its operations, including minutes of all board meetings, are available at www.MEvaccine.org.

The Board will submit findings, recommendations, and updates in its next annual report, due January 1, 2014 to the Joint Standing Committee of the legislature having jurisdiction over health and human services matters.

HISTORY AND DESCRIPTION OF THE MAINE VACCINE BOARD

The history and information regarding the Maine Vaccine Board can be found on our website www.MEvaccine.org. An overview of MVB's background, formation and startup timeline through the end of 2012 is captured by a poster presentation made to Maine's Immunization Congress last fall. It is attached as Exhibit A.

THE VACCINE BOARD

The MVB was created by the 124th Legislature through the enactment of Public Law 595. The law creating the Board took effect on August 2, 2010. The Board held meetings during the 2011/12 fiscal year on 08-02-11, 09-06-11, 10-11-11, 11-01-11, 12-06-11, 01-03-12, 02-07-12, 03-06-12, 03-21-12, and 06-05-12. The Board consists of ten members: three representatives of health insurance carriers, three representatives of providers in the state as nominated by statewide associations of providers, a representative of employers who self-insure for health coverage, a representative of the pharmaceutical manufacturing industry, and two non-voting ex officio members, namely, the DHHS Commissioner (or designee) and the State Treasurer (or designee). Peter M. Gore currently serves as Board president. Lori Wolanski, Director of the Division of Infectious Disease, now serves as the DHHS Commissioner's designee and ex officio Board member. With the exception of the pharmaceutical manufacturing industry representative, who serves a one-year term, the term of all other Board appointees is three years.

SUMMARY OF PROGRAM PROGRESS

Vaccine supply for children eligible for free vaccines under the federal Vaccine For Children ("VFC") program continues, as before, to be managed by the Maine CDC. These vaccines are funded by grants from the federal Centers for Disease Control and Prevention ("federal CDC") to the Maine CDC. Commencing January 1, 2012, Maine CDC expanded its free vaccine supply to cover all children (hence "universal"). Vaccines for non-VFC eligible children now are purchased by the State of Maine with funds raised by MVB at the same favorable federal CDC contract rates as the federal government has been able to negotiate with vaccine manufacturers for the VFC program.

Knowing that the transition to the new vaccine supply system posed financial risks to providers (moving from their privately purchased vaccine inventory for which reimbursement would be sought from payers through medical claims process to state supplied vaccine for which filing claims is prohibited by law), MVB took several steps to mitigate the risk of loss for them. First, in cooperation with the Maine CDC, communications alerted physicians, hospitals and others to the transition dates, urging care in minimizing carry-over inventories. Second, MVB urged payers to honor legitimate claims from providers with vaccines purchased by the practice prior to the commencement of the MVB-funded supply notwithstanding

the fact that payers already had started paying assessments for the new state program. Finally, MVB allocated up to \$400,000 to reimburse providers for denied claims for such privately-purchase vaccines in inventory. These combined efforts were successful. The final payouts made by MVB under its Provider Transitional Loss Mitigation Program were under \$1,100.

MVB imbedded the entire vaccine list in its initial rule-making. This required public comment and rulemaking every year when the vaccine list is reviewed. We have amended this rule so that changes to the vaccine list will receive public comment, but the entire vaccine list is no longer imbedded in the regulation. In addition we delineated the procedures for appeals of any MVB decision.

MVB has adopted two assessment rate changes since its formation. The first was a rate reduction in response to early assessment collections which were better than anticipated. The second, to be effective April 1, 2013, increases due to the fact that MVB's vaccine costs had been substantially lower than expected due to benefits from the carryover supply during its startup year, as discussed above, and the adjustment also account for two years of cost inflation. In the future assessment rate changes should be driven primarily by adjustments for inflation and new vaccine recommendations. Volatility from various one-time startup factors which have impacted these early years should abate substantially.

Another project recently completed was to develop metrics for measurement of the program's effectiveness. As this work commenced, the board determined that it wanted to report its favorable impacts conservatively and be sure that measures were properly calibrated for Maine. The study of 2012 purchases, using these MVB-specified criteria, demonstrated that in 2012 the cost savings for Maine health benefit payers was over 23% (see Exhibit B).

Thankfully, as reported by Maine CDC and confirmed by the federal CDC, Maine now has successfully reversed the previous decreases in its childhood immunization rates. This is particularly important given the multiplier effect of childhood immunization dollars in reducing long term healthcare costs. As reported in Exhibit C, experts estimate the long term financial cost reduction through disease avoidance at over \$10 for each \$1 of childhood immunization costs. This cost benefit to health care payers, of course, is in addition to the indirect benefits of improved health, avoidance of loss of work, and so on.

On the compliance side, MVB has enjoyed positive results. To its knowledge, only two payers presently are not participating. One is an out-of-state insurer whose counsel apparently interprets the Maine law differently from the Maine Office of Attorney General. That matter is under referral for enforcement. The other is TRICARE, the federal program responsible for armed services beneficiaries. KidsVax.org™ is working on behalf of MVB and other state programs to encourage TRICARE leadership to bring the program into voluntary compliance. Recent contacts are hopeful that this can be accomplished before the end of 2013 and that resolution will also address TRICARE's equitable share for past assessments.

In addition to maintaining the website www.MEvaccine.org, the MVB has provided outreach to help others know of our work. Last year MVB delivered a poster presentation at Maine CDC's annual infectious disease conference. Information was also made available through Maine CDC's various training programs and through statewide professional newsletters.

Over the next year, MVB anticipates further work to identify and seek compliance from any other organizations, presently unknown, which may not presently be paying their full shares of applicable MVB assessments. It also will continue to review vaccines which may be added to the program as they are approved for the VFC program and to explore further opportunities for improving MVB's overall operations.

OUR THANKS

As MVB completes its startup activities, it is deeply grateful for the remarkable support of its key constituents: payers, providers, and the Maine CDC. It is grateful for the support of other state agencies which have facilitated its work and looks forward to continuing to assist in improving childhood health in the State of Maine. A special thanks goes to individual board members who have served faithfully through MVB's startup, the organizations for which they work which have made their time (and often their firm's data resources) available without charge to the MVB, the staff of Maine CDC and the Office of Attorney General, all of whom have been resourceful and diligent in supporting the board through its startup phase. The remarkable results accomplished to date would not have been possible without their individual and collective efforts.

Note: This report has been compiled by Fred L. Potter who serves the MVB as its servicing agent through a turnkey Executive Director and Administrative Services Agreement with KidsVax.org™. Fred's contact information is below. He will be happy to respond to any questions this report may prompt.

Fred L. Potter • *Managing Member*



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Exhibit B



KidsVax.org
Administering Programs in
Four Childhood Diseases

MYB 2013-03-01 Nspw 08 0 1

March 1, 2013

Maine Vaccine Board
P.O. Box 1885
Concord, NH 03302-1885

MBV Program Savings Calculation for CY 2012

Dear Directors,

Below is our calculation of the savings that the program has created in 2012.

Comparison Period: 1/1/2012 to 12/31/2012

| | | |
|---|------------------|----------------------|
| A. CDC Survey Market Comparison costs: | | |
| (actual doses per brand x CDC market price per brand) | | \$ 13,777,024 |
| B. MVB Program costs: | | |
| Cost of vaccine replenishments | \$ 10,464,223 | |
| + Operating Cost | 161,355 | |
| + Leakage & Bad Debt | 3,974 | |
| <u>+/- Incremental Reserve Adj</u> | <u>(113,146)</u> | |
| = Total 2012 Program Cost | | <u>\$ 10,516,406</u> |
| C. MVB Program Savings (A - B = C) | | \$ 3,260,618 |
| D. Program Savings Percentage (C / A = D) | | 23.67% |
| E. Savings per Covered Life (covered lives = 120,135) | | \$ 27.14 |

Notes:

1. In any program like this it is not possible to calculate savings with 100% accuracy. There are a number of reasons for this including the fact that some providers may continue to bill for some private supply. This is especially true during the transition period into full universal supply.
2. The market comparison used for each dose is an average of prices given in response to the survey conducted annually by the CDC. Information is not provided on volume or location purchased. This CDC survey just addresses vaccine costs. It does not include other costs such as management fees, financing costs or other overhead, which some providers properly include in billings. Neither does it include normal payer administration costs for individual claims administration.
3. We believe this is a fair representation of the cost savings for the vaccines themselves. Payments to providers for administration of vaccines, of course, are completely outside of this system.
4. KidsVax.org intends to track this metric periodically to aid the MVB in monitoring its program effectiveness.

Sincerely,



Peter M. Smith
Financial & Internal Control Analyst



cc: Fred L. Potter, Executive Director

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Exhibit C

National and State of Maine Vaccine Cost Savings and National Morbidity Reduction

Table 1

Estimated Return on Investment of Childhood Vaccines in the US and Maine

On average, for each *US birth cohort* vaccinated through age 6 against 13 diseases* :

- 42,000 lives are saved
- 20 million cases of disease are prevented
- For each dollar invested in these vaccinations, \$10.1 is saved
- 13.5 billion dollars in direct costs are saved
- 68.8 billion dollars in direct plus indirect (societal) costs are saved

On average, for each *Maine birth cohort* vaccinated through age 6 against 13 diseases** :

- 135 lives are saved
- 600,000 cases of disease are prevented
- For each dollar invested in these vaccinations, \$10.1 is saved
- 43 million dollars in direct costs are saved
- Indirect societal costs not calculated for Maine.

*Fangjun Zhou, PhD et al, National Immunization Conference 2011.

** **Assumption:** Disease rates and costs in Maine are equal to national averages.

Fangjun Zhou, PhD, Health Scientist, Immunization Services Division, Centers for Disease Control and Prevention.

Birth cohort: # of births in one year and group followed through 6 years of age. The cost savings to the state is calculated based on the birth cohort receiving all childhood vaccines to protect them against 13 vaccine preventable childhood diseases.

Direct Costs: Medical costs saved.

Table 2

Comparison of 20th Century Annual Morbidity and Current Morbidity: Vaccine-Preventable Diseases

| <u>Disease</u> | <u>20th Century Annual Morbidity</u> | <u>2011 Reported Cases</u> | <u>Percent Decrease</u> |
|-----------------------------|--------------------------------------|----------------------------|-------------------------|
| Smallpox | 29,005 | 0 | 100% |
| Diphtheria | 21,053 | 0 | 100% |
| Measles | 530,217 | 222 | >99% |
| Mumps | 162,344 | 404 | >99% |
| Pertussis | 200,752 | 18,719 | 91% |
| Polio (paralytic) | 16,316 | 0 | 100% |
| Rubella | 47,745 | 4 | >99% |
| Congenital Rubella Syndrome | 152 | 0 | 100% |
| Tetanus | 580 | 36 | 94% |
| Haemophilus influenzae | 20,000 | 14 | >99% |

¹ Source: JAMA. 2007;298(18):2155-2163

¹⁷ Source: CDC. MMWR August 17, 2012,61(32):624-637. (final 2011 data)

Haemophilus influenzae type b (Hib) < 5 years of age. An additional 14 cases of Hib are estimated to have occurred among the 226 reports of Hib (< 5 years of age) with unknown serotype.